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Arizona Corporation Commission

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Dear Judge, Colleagues, Parties and Interested Persons:

I am writing this letter to request that certain issues be addressed in the upcoming discussion of the 2012 REST plans for APS, TEP and UNS. Please note this short list of issues is followed by a more detailed description:

- a **severe reduction in commercial UFI and PBI funds**; and APS' request to shift the commercial funds to the Schools and Government program (S&G);
- eliminating free market competition by **increasing utility ownership of commercial-scale solar**; and
- the **lack of transparent, consistent and verifiable** information.

I believe my colleagues, staff and others are tired of having to act like a traffic cop and mediate disputes. Perhaps this is why the Colorado PUC is currently considering Third Party Administration.¹

I am asking my colleagues, stakeholders and the utilities to discuss the pro's and con's of:

- requiring a **Third Party Administrator** so that the Commission and staff do not need to constantly intervene; and
- requiring the utilities to **file REST plans in a template form** to facilitate apples-to-apples comparisons and easy-to-understand REST plans. I believe that investing time in a workshop now to come up with a template will save a lot of time down the road and require less of the Commission's time in mediating data disputes.

I also request that the utilities provide a written response to the questions below.

¹ The Colorado PUC considered Third Party Administration (TPA) of its Energy Efficiency program for essentially the same reasons – the clarity that arms-length review provides. See DOCKET NO. 10A-554EG, Decision C11-0442 adopted March 30, 2011. Although the CO PUC did not adopt TPA, it noted that a number of stakeholders supported TPA, such as the Governor's Energy Office and large energy users. www.dora.state.co.us

APS 2012 Plan

Following are issues specific to the APS plan:

Schools and Government (S&G) Plan

1. Why does APS want to triple the Schools and Government program, while virtually eliminating the commercial PBI market?
2. What are the exact cost savings to the school?
3. What are APS' practices in selling to schools, and how is APS characterizing the competitive bidding requirement?
4. Is APS combining lighting and efficiency upgrades with solar, and if so, is that fair to competitors?
5. Are the most needy school districts being served?
6. Do APS' school solicitations comply with school procurement procedures?
7. Why are the S&G tariffs not available for third party owned systems?
8. What about using Bonding Capacity v. Available Bonding Capacity as school selection criteria?
9. How does eliminating competition in the S&G sector help drive down costs?

General Questions for APS

1. In January 2010, solar rebates were \$3.00/watt, and 18 months later rebates are \$1.00/watt. Do you think *competition* has helped to drive the rebate cost down by two-thirds in 18 months? How will it help ratepayers to drive down costs further by eliminating competition?
2. Since the cost of solar has decreased so rapidly in the past 2 years, why does APS want to reduce PBIs by 30%, rather than the expected 15%? Is APS concerned about market stability?
3. Is APS concerned about the boom-bust cycle that would be created by its plan to cut the residential rebate program in half and essentially eliminate the commercial market?

Questions Raised by The Solar Alliance in its July 27, 2011 Letter

I request that APS address questions raised by The Solar Alliance in its July 27, 2011 filing, including:

- Data inconsistencies
- High levels of project cancellations
- Breaking out program costs so that apples-to-apples comparisons are possible, i.e. 'unbundling' costs
- Adding \$65.8 million to the Schools and Government program while reducing competition for that program
- Costs and benefits of retroactive meter installation
- Justify the Solar Coach program: why should ratepayers pay for solar coaches when there are no rebates available?
- Why should ratepayers fund an 'integrated pilot' that combines smart grid, EE, Demand Response and Distributed Generation when the Flagstaff pilot will do much of the same?
- Exactly what has previous Research and Development funding provided, and exactly what would the 2012 funding be used for? How does APS feel about the collaborative

process suggested by the Solar Alliance, which would allow the community, stakeholders and Commission to participate in selecting R&D projects?

Finally, the big question appears to be whether or not solar provided by SSA (Solar Service Agreements) is more cost-effective than solar provided by APS. Without meaningful data, this is impossible to determine. Please address all the concerns spelled out by the Solar Alliance on pages 15-18 of its July 27, 2011 letter, Appendix 2. APS seems to contradict the findings by Southern California Edison that competition by third party solar providers was driving down costs.

Questions Raised by The Solar Alliance in its May 27, 2011 Letter

- Request a discussion about the security deposit requirements. Request a discussion of 'reserved' capacity v 'actual generation.
- Please provide data as in the Table at the bottom of page 2 of the Solar Alliance's May 27th letter so that Required, Expected and Actual Generation for residential and non-residential projects can be compared.
- Please allow data from Arizona Goes Solar website to be easily exported and downloaded into Excel spreadsheets.
- Please include additional column for "Days Until In-Service Deadline" as described on page 2 of the Solar Alliance's May 27, 2011 letter.
- Please 'unbundle' the 2010 and 2011 data, breaking out compliance data by year.
- Please answer questions in Solar Alliance May 27th letter under **question 3. Meeting Non-Residential Capacity Targets.**
- In APS' letter to me dated April 15, 2011 that 25% of all projects (47 total) are requesting an extension. Is the Solar Alliance's assertion that 90% of the 55 projects are still not online after 270 days? Please advise. We need certainty on this issue as we cannot 'run out' of rebates and 6 months later projects that were in the queue drop out. I request that APS provide the information requested at the bottom of page 3 and top of page 4 in the Solar Alliance letter dated May 27, 2011, and add the requested column in its chart to note projects that are beyond the 270 day mark.
- Please answer the questions about Wholesale DE Projects per the Solar Alliance letter dated May 27, 2011, item 4, Accounting for Wholesale DE Projects. I am especially in the question about the Freeport McMoRan project that may have displaced other projects, and the amount of money the Freeport project added back to REST funds. If this is confidential information, my Advisor and I are happy to sign a non-disclosure agreement. Where is APS on over-compliance to an amount equal to the Freeport project's output?
- Per question 5, Schools and Government, is only 18% of the planned capacity (670 kW of 3.75 MW) installed? If so, what is the hold-up?
- As has been stated earlier, please provide clear and consistent data on costs so that the Commission and others can compare UOG (Utility Owned Generation) with SSA (Solar Services Agreements).
- Please provide the S&G rate rider information to the Solar Alliance as requested.
- Is APS' actual production from schools' systems 6060 MWh from 3.75 MW of capacity rather than 6353 MWh? (Or, as AriSEIA asserts in its August 11, 2011 letter,

production of 1080 kWh-AC/kW-DC per year.) Please explain why and how this affects school payback, and whether you agree with AriSEIA that the difference means that schools will pay \$200,000 more for electricity over the 20 year contract term than if the school had contracted with a third party.

- Cancellations must be more accurately documented.
- Please provide data on the number of employees and other administrative aspects as requested in question 7, General Administration of the Program.
- Please also provide interest information, how and where it is held, and what account that interest goes to.
- Please submit the quarterly report on unused funds that the Solar Alliance asserts has not been provided, and explain why it has not been submitted each quarter as required by then-Chairman Mayes' amendment.
- Please answer the other questions posed by the Solar Alliance on the Small Generator Standard Offer Program on page 5.
- Please answer the questions on the AZ Sun Program also on page 5.

Security Deposit Issues

- A number of parties are requesting that the 5% deposit within 7 days is too onerous. Solar City's August 16, 2011 letter suggests a two-part process where the 5% deposit be reduced to 2%, that interest be returned, and that the deposit not be forfeited.
- Please comment on the security deposit process suggested by AriSEIA in its August 11, 2011 letter, pages 9 and 11.

Residential Program

- In its 2011 plan, APS agreed to fund the residential program in 2012 at a level of \$40 million. Why does APS now want to reverse that?
- According to the AriSEIA letter dated August 11, 2011, the cost of a residential Renewable Energy Credit (REC) is now 3.8 to 3.2 cents/kWh. Please explain this value in light of the January 2009 RW Beck study that determined that distributed solar has a value of 7.9 to 14.1 cents/kWh.
- How does APS feel about AriSEIA's suggestion that if the residential market is over compliance, that the excess MWhs go to the Settlement Agreement solar requirements?
- How does APS feel about AriSEIA's suggestion that applications for Q1 of 2012 be accepted starting October 2011?

Commercial Program

- Does APS agree with AriSEIA's assertion that APS-owned projects increase by nearly 3800% while 3rd party owned projects grow by 400% by 2015? If this is correct, how does this serve the ratepayers?
- Please respond to the assertion by Green Choice Solar and others that APS is allowed to 'hide' some PBI costs in rate base.
- Why does APS want to change the current 14.5 cent/kWh 15-year PBI and 13.2 cents/kWh 20-year PBI price for commercial projects?

TEP/UNS 2012 Plan

Questions about the Bright Tucson Community Solar Program

1. Is the Bright Tucson Community Solar Program fully subscribed, under-subscribed or over-subscribed?
2. Can TEP please report to the Commission every year on the following issues with the Bright Tucson Community Solar?

Year	2010	2011	2012	TOTAL
Number of inquiries				
Number of subscribers				
Over or under-subscribed? Include number and %				
Cost per REC				
RECs from out of state v in-state				

Questions about the Bright Roofs Program

1. Why would TEP count large systems such as 250 kW to 1 MW to count as customer-sited distributed generation?
2. Doesn't the ownership model proposed by TEP -- where the power generated would count as DG -- conflict with the purpose of the 30% Distributed Generation (DG) carve-out?

On Table 1 on page 4, please add a column for location (county, state) so that readers will understand where each generation asset is located.

Please provide more information about the coal-concentrating solar hybrid project at the Sundt plant. For example:

- How large is the coal unit that will be accepting steam from the 5 MW of Concentrating Solar Power (CSP)?
- What kinds of efficiency gains is TEP expecting?
- Does TEP expect results similar to the coal-CSP hybrid project operated by Xcel Energy at the Cameo coal plant in Grand Junction Colorado?

Renewable Energy Credit Purchase Program

1. Table 5 on page 9 of TEP's 2012 REST plan includes the customer segment, 2012 budget, Annual MWh and Annual MW. Please include 2 more columns with the information as follows:

Customer Segment	2010 Budget	2010 MW	2011 Budget	2011 MW	2012 Budget	2012 MW	% Difference between 2011 and 2012 budgets

It is very difficult to compare year-to-year when TEP does not include the most basic information in a way that allows for meaningful comparisons.

2. For example, wasn't the Small Commercial UFI Annual MW 3.2 MW in 2010, so that the 2012 Small Commercial UFI budget of 0.8 MW is a reduction of at least 60%?
3. In the Large Commercial PBI segment, was the 2011 plan for 3.8 MW, while the 2012 plan for the same segment has been reduced to 1.8?
4. What would the effect be on the REST adjustor if the Small and Large Commercial UFI and PBI budgets were the same as last year – with no increase and no decrease?

On page 11 of TEP's 2012 REST Plan, please add the following columns to Table 10 Plan Budget by Category:

	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget
Utility Scale					
Residential UFI					
Commercial UFI					
etc					

Budgets are much easier to understand when you provide context and inform the Commission about prior year costs.

5. On Table 11 on page 12, 2011/2012 REST Budget by Rate Class, please include the past 4 years, and include the percentage change in budget for the most recent two years. In other words, include the percentage change in budget for the 2011 and 2012 plans.
6. Please include the following information in describing REST rate caps and funds by rate classification:

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Rate Class	Current rate caps by class	Proposed rate caps by class	% customers in each rate class hitting cap	Number of customers in each rate class	Total MWh sales as dollar amount and % by rate class	Total REST funds paid as dollar amount and % by rate class
Residential						
Small Commercial						
Large Commercial						
Etc.						

Finally, I want to ask the opinion of stakeholders on how we might *increase funding for the REST*. Obviously, solar programs are getting more popular, and costs are decreasing rapidly. AZ has much to gain from an expansion of solar, and I would like to ask parties' opinion on the costs and benefits of *increasing* funding for the REST so that we can continue our upward momentum.

Thank you for your time and assistance in answering these critical questions.

Sincerely,



Paul Newman
Commissioner